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April 2007

MONEY LAUNDERING INDICATORS

The Unit has drawn up a list of money laundering indicators to which reporting institutions and individuals must pay particular close attention. These are general indicators intended to help financial and non-financial professionals identify money laundering transactions, and are not specific indicators that correspond to laundering the proceeds of a specific predicate offence.

These indicators are presented below, classified by transaction type allowing criminals to launder funds of illicit origin. This document includes a non-exhaustive list with possible suspect elements requiring close attention. The indicators applicable to financial professionals are presented first, followed by those for non-financial professionals.

1. Financial professionals must pay especially close attention to the following factors

Opening an account

- the client refuses to provide the information requested by the financial institution when opening an account and attempts to limit the amount of information he should be giving, or provides information that is incorrect or difficult to verify;
- opening an account where the account holder does not engage in any known form of economic activity and on which various financial transactions take place;
- opening an account for which several individuals have signing authority, even though there is no apparent family or business relationship between them;
- opening an account that is credited exclusively by cash deposits;
- presenting falsified documents (particular attention should be paid to documents written in different characters or by hand, as well as to documents that are difficult to decipher);
- using an account opened in the name of a locally active company to make deposits and withdrawals in foreign currencies that are not linked to the commercial activity;
- gradually transferring all of the assets of a company to the account of another company. This procedure refers to the concept of a "payable-through account";
- the opening of an account that remains dormant and then suddenly becomes active, and on which a large number of credit and debit operations are performed within a short timeframe;

- the opening of a large number of accounts in the name of different companies on which several transactions are performed (cashing of cheques, cash deposit of foreign currencies, international transfers), even though these companies do not seem to have any real economic substance. These companies are sometimes formed solely to meet the needs of a criminal scheme. It is not unusual to see their bank accounts literally 'explode' within a short timeframe, often involving an exponential growth in the number and volume of operations on their bank accounts.

Deposits and withdrawals

Criminals use deposits in cash or in the form of cheques to launder the proceeds of crime. The size of the deposits, the fact that cash is deposited at different branches of the same bank, the lack of credibility of the economic explanation for the transactions, the presentation of bank notes with a suspect appearance (very old notes, notes covered in powder, etc.) or the use of the night safe to make deposits are some of the factors that should attract the attention of financial institutions.

Cashing a cheque for a substantial amount to the order of a company, of which the individual involved is not the representative, as well as performing cash deposits with the aim of writing out a bank cheque with an unknown principal are two other suspicious elements.

Manual exchange transactions

- exchanging worn notes in small denominations of foreign currencies, for substantial amounts;
- exchanging small denominations for large denominations of the same currency;
- splitting transactions into amounts that fall just below the identification threshold of 10 000 EUR;
- using couriers who often work on behalf of different unidentified ordering parties and who, as a result, ask the financial institution concerned for distinct exchange slips;
- the absence of any economic motive to perform transactions in Belgium, as the persons involved (or the people for whom they are acting) are foreign residents, have no links with Belgium and have the possibility of performing these transactions in their own country;
- repeatedly performing exchange transactions on the margins of the bank account;
- the amounts involved are disproportionate to the income that is normally generated by the profession possibly declared by the parties involved;
- the unusual character of the exchange transactions compared with the transactions usually performed on the individual's account;
- there is no economic justification for the transactions performed or they are incompatible with the type of transaction being performed.

International transfers

- substantial transfers of funds to bank accounts on which there are no transactions of any other kind, immediately followed by cash withdrawals or cheques and national and international transfers. Examination of the accounts revealed that these accounts were opened solely to perform these transactions and that the money never stays on the same account for a long period of time. The balance of these accounts is usually rather limited in comparison with the amount of transactions registered on the account. The total amount of the transfers is often considerable, yet the balance of these accounts is usually close to zero;
- the parties involved are more concerned about the speed with which their transactions are carried out by the bank than about the costs of the transactions, the financial logic of which is sometimes hard to fathom;
- using of front men who act as account holders or who hold power of attorney over the accounts;
- using of smokescreen companies. These are dormant or recently established companies that usually have a broad corporate object or an object that no longer corresponds to the activities allegedly generating a substantial flow of money when dealing with companies that were recently taken over. In addition, these companies consecutively appoint new directors and often change their name or registered office. Often these companies also use front men, fictitious addresses or post-office box addresses;
- the accounts of companies are characterized by an explosive growth of their turnover in a short period of time, often involving an exponential growth in the number and volume of operations on their bank accounts;
- the inordinate disparity between the turnover stated by the company and the extent of the financial transactions carried out; Certain invoices that clients present to their bank are incomplete and some essential information is missing, such as VAT number, financial account, invoice number, the address or date;
- there is no link between the corporate object and the activities generating the funds;
- the transactions by the client stop within a relatively short period of time when the bank requests documents to justify flow of funds.

Loans

Criminals can also use loan applications in their attempts to launder money. This is especially the case when money launderers wish to invest the proceeds of crime in real estate. Certain factors should then attract the attention of financial institutions, such as a credit application followed by premature repayment of the money withdrawn. The same applies to repayment of a mortgage loan by means of transfers or deposits in cash disproportionate to the official earnings of the parties involved.

Transactions associated with tax havens, offshore centres or non-cooperating countries and territories

Money laundering files often involve companies, including financial institutions, established in tax havens or offshore centres. Payable-through accounts are frequently used for funds originating abroad. These funds are then transferred as quickly as possible to accounts of companies based in tax havens or offshore centres. The reporting bodies must be especially vigilant about transactions involving tax havens and offshore centres, especially when the non-cooperating countries or territories targeted by the FATF are involved.

Insurance companies

- a client concluding an insurance contract who is particularly interested in its early surrender and in the amount that he will then have at his disposal;
- entering into a contract that involves the payment of very considerable premiums;
- the purchase of a single premium policy paid in cash or by counter cheque for a amount that is clearly out of all proportion to the subscriber's income;
- entering into a contract for a considerable sum subject to payment of the premiums from abroad, more specifically from an offshore financial centre;
- the substitution, during the life of the contract, of the initial beneficiary with a person without any apparent link to the policyholder;
- cancellation of the contract, without the client worrying about the considerable tax or other cancellation charges that he has to pay as a result.

2. Non-financial professionals must pay especially close attention to the following factors:

Civil-Law Notaries

- the client does not live in the region where the civil-law notary has his or her chambers or does not form part of the notary's usual clientele, uses an intermediary unknown to the notary or asks the notary for a service that a notary in the client's own area could perfectly well have performed, and neither the client nor the other notary have an adequate explanation;
- the client uses or wishes to use smokescreen companies, whereas there is no or does not seem to be any legitimate fiscal, legal or commercial reason for doing so;
- the client uses or wishes to use foreign companies, whereas there is no or does not seem to be any legitimate fiscal, legal or commercial reason for doing so;
- the client has established or wishes to establish different companies within a short timeframe either for himself or for the benefit of another person, whereas there is no or does not seem to be any legitimate fiscal, legal or commercial reason for doing so;
- the client wishes to form or purchase a company with a dubious corporate object or one that does not seem to have any relationship with his normal professional or ancillary activities and he cannot provide the notary with adequate explanations;
- the client is involved in an unusual operation and which does not appear to be related to or is out of all proportion to the normal exercise of his profession or activities and he cannot provide the notary with adequate explanations;
- items of real estate are sold repeatedly with unusual profit margins and a clear explanation for transactions cannot be provided;
- payments are made in the client's name to the notary's account originating from financial institutions, companies established in or individuals residing in a country known for its enhanced banking secrecy, its favourable fiscal system, its production of drugs, or as a non-cooperating country or territory on the list of the FATF;
- the notary receives money from a client to pay a third party, even though the notary cannot find any reason to justify this payment;
- the client uses a front man without any legitimate fiscal, legal or commercial reason for doing so;
- the client repeatedly changes notaries within a short timeframe without the notary being able to find an adequate explanation for this behaviour;
- the client wishes to pay an advance in cash amounting to more than 10% of the sales price of the real estate;
- the client wishes to pay an advance in cash amounting to more than 15 000 EUR;

- the client refuses or raises objections to provide the notary with the account number through which the amount has been or will be debited;
- the client refuses to pay or raises objections to paying the sales price by bank transfer or cheque even though the amount exceeds 15 000 EUR;
- the client uses documents, especially IDs that appear to be forged.

Bailiffs ¹

Bailiffs have to be especially vigilant in the following cases:

- during seizures the bailiff finds illegal goods or merchandise or luxury items that do not reflect the economic status of the individuals involved;
- the funds seized are considerable and their origin does not seem to have any relationship with the economic status of the individuals involved;
- during an auction of movable property, the bailiff finds that a bidder offers an amount that is out of all proportion to the value of the item and pays for the item in large amounts of cash or in foreign currency.

Lawyers

Lawyers must have to be especially vigilant in the following cases:

- money launderers ask lawyers to introduce them to financial institutions;
- money launderers approach lawyers when they are incorporating companies such as trusts and *International Business Companies* or with the aim of preserving their anonymity and disguising the illegal origin of funds;
- the third-party accounts of lawyers are used by people who wish to remain anonymous;
- money launderers turn to a lawyer when they wish to invest in property. The sale or purchase of real estate for a price far in excess of or far below its value should arouse an advocate's suspicions. This is also the case for real estate investments by foreign nationals without any links to Belgium or out of all proportion to the client's socio-economic status.

¹ In Belgium, the bailiffs (huissiers de justice/deurwaarders) are Ministerial officers entrusted by the law with all summons, notifications, writs and formal demands necessary for the furtherance of a legal procedure, as well as with all the acts, writs and notifications required for the execution of the decisions of justice. They are also entrusted with the execution of seizures, inventories, valuations and public auctions of furniture and other movable property, CRISP, *Vocabulaire politique*, Editions du CRISP, Brussels, 1998, p. 158.

Casinos

Casinos have to pay a particular attention when a client purchases for an amount disproportionate to his known financial status or when a client whose playing behaviour does not correspond to that of the normal gambler and are the aim to win is apparently absent or secondary.

Real estate agents

- the client wishes to buy real estate with a substantial amount in cash;
- the client buys real estate without having seen the property;
- the client buys real estate in name of a third party without an apparent link to the client;
- the client uses different names for the sales agreement, the sale and the payment;
- the client wishes to pay an advance in cash amounting to more than 10% of the sales price of the real estate;
- the client wishes to pay an advance in cash amounting to more than 15 000 EUR;
- the client refuses or raises objections to provide the notary with the account number through which the amount has been or will be debited;
- the client refuses to pay or raises objections to paying the sales price by bank transfer or cheque even though the amount exceeds 15 000 EUR;

External certified accountants, approved accountants, tax specialist-accountant, external tax advisors, company auditors

- the client seems to live lives beyond his means, taking into account his professional activities;
- the income derived from the client's professional activities are disproportionate to the business activity;
- the client repeatedly turn to different accounting professionals;
- the company does not have any employees, which is abnormal given the business activity;
- the company pays various consultancy fees to offshore companies;
- the appointment of shareholders are disproportionate to the business activity;
- the checking of the books reveals embezzlement;
- the company purchases boats and luxury cars without any link to the business activity.